

§ 1.615-5

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he made exploration expenditures in the amount of \$100,000 in 1955 which he elected to defer under section 615(b). This is the only year in which B has used section 615. C contributes only cash to the partnership and has not previously used section 615. Subject to the limitations of section 615, for taxable years beginning before July 7, 1960, A may deduct or defer exploration expenses for two more taxable years (either as to expenditures incurred by him individually or with respect to his distributive share of partnership exploration expenses). B may deduct or defer exploration expenditures for three more years, and C may deduct or defer exploration expenditures for four years. For taxable years beginning after July 6, 1960, subject in each case to the \$100,000 limitation per year, A may deduct or defer exploration expenditures in an amount not in excess of \$250,000 (\$400,000-\$150,000), either as to expenditures incurred by him individually or with respect to his distributive share of partnership exploration expenditures. B may similarly deduct or defer exploration expenditures in an amount not in excess of \$300,000 (\$400,000-\$100,000), and C may deduct or defer exploration expenditures in an amount not in excess of \$400,000.

[T.D. 6685, 28 FR 11405, Oct. 24, 1963; as amended by T.D. 7192, 37 FR 12939, June 30, 1972]

§ 1.615-5 Time for making election with respect to returns due on or before May 2, 1960.

In the case of any taxable year beginning after December 31, 1953, and ending after August 16, 1954, the income tax return for which is due not later than May 2, 1960, the time for exercising any option or making any election under section 615 shall expire on May 2, 1960.

§ 1.615-6 Election to deduct under section 615.

(a) *General rule.* The election to deduct or defer exploration expenditures under section 615 shall be made in a statement filed with the director of the Internal Revenue service center with whom the taxpayer's income tax return is required to be filed. If the election is made within the time period prescribed for filing an income tax return (including extensions thereof) for the first taxable year ending after September 12, 1966, during which the taxpayer pays or incurs expenditures which are within the scope of section 615 and which are paid or incurred by him after Sep-

tember 12, 1966, this statement shall be attached to the taxpayer's income tax return for such taxable year. If the election is made after the time prescribed for filing such return but before the expiration of the period (described in paragraph (e) of this section) for making the election under section 615(e), the statement must be signed by the taxpayer or his authorized representative. The statement shall be filed even though the taxpayer charges to capital account all such expenditures paid or incurred by him during such taxable year after such date. The statement shall clearly indicate that the taxpayer elects to have section 615 apply to all amounts deducted or deferred by him with respect to exploration expenditures paid or incurred after September 12, 1966, and before January 1, 1970. If the taxpayer desires, he may file this statement by attaching it to his return for a taxable year prior to the first taxable year ending after September 12, 1966, in which he pays or incurs exploration expenditures. Except as provided in paragraph (b) of this section, if the taxpayer does not file such a statement within the period prescribed by section 615(e) and paragraph (e) of this section, any amounts deducted by him with respect to exploration expenditures paid or incurred after September 12, 1966, will be deemed to have been deducted pursuant to an election under section 617(a).

(b) *Exception.* The last sentence of paragraph (a) of this section shall not apply if all exploration expenditures paid or incurred by the taxpayer after September 12, 1966, and before January 1, 1970, and deducted by him on his income tax return for the first taxable year ending after September 12, 1966, during which he pays or incurs such expenditures are outside the scope of section 617(a) (as it existed before its amendment by section 504(b) of the Tax Reform Act of 1969). For example, assume that, in his return for his taxable year ending December 31, 1966, a calendar-year taxpayer deducts exploration expenditures paid or incurred after September 12, 1966, and does not attach to his return the statement described in paragraph (a) of this section. However, all of the exploration expenditures paid or incurred by the taxpayer